



Economic Analysis and Development Strategies for Leading Products in Sampang District

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The problem of underdeveloped region development is written in the National RPJM document 2015–2019 which is mentioned as the management of potential local resources in the development of underdeveloped region economy. Through the processing of the resources, it is expected to alleviate poverty and increase the local economy. As the effort of realizing the development of new economic growth centers in underdeveloped regions, the government has launched a flagship program based on the development of leading commodities of district by prioritizing the development of local specific potential of underdeveloped regions overall with the result that this effort is expected to encourage and accelerate economic growth and improve the welfare of the society where it will eventually build a new center of economic growth. Generally, each district's flagship program is aimed at encouraging the eradication of regions from the lag. From the six lagging parameters which include the society's economy, human resources, infrastructure, local financial capacity (fiscal gap), accessibility, and regional characteristics, the government programs are undertaken to improve the society's economy including poverty alleviation and lower unemployment and to improve the financial local capacity through the optimization of potential local products. The development of the district's leading product program in the growth center area will provide significant benefits in promoting the economic growth of the society. The results of this study obtained shortlist of the district's leading agriculture product with LQ (Location Quotient) as big as 4.28 for peanut; 4.23 for green beans; 3.37 for soybeans; 1.64 for cassava and 0.70 for maize. In the farm sector, tobacco scores LQ as big as 3.89; 0.59 for cashew and the last 0.01 for coconut. For the livestock sector, LQ of cattle commodity is 11.9; 4.93 for goats and 2.90 for duck. From the short list data per sector, it is obtained shortlist of leading products which are cassava, tobacco, cow, goat and duck. From the FGD results and in-depth discussion, the leading product of Sampang district is cattle.

Keywords: Economic Model, Underdeveloped Region, Leading Product.

1. INTRODUCTION

Future local economic development is crucial for poverty alleviation and reducing intra-regional development disparities, especially for underdeveloped regions. Local economic development should be based on local economic characteristics of the area. This is because the characteristics of local economies in each region is varied in accordance with the availability of local potential. Some of those items are natural resources which are biological, mineral content, then environment which is energy and technology, afterwards human resources which include social life, culture and education, and also infrastructure includes road facilities, transportation, markets, information and technology. Likewise the circumstances of the external environment influence the regional economic development.¹⁴

Implementation of economic development can be applied into the concept of district leading products which is the concept where one district has a leading product. The district leading products are based on the development of leading commodities that are expected to encourage and accelerate economic growth and improve the welfare of the community. A product can be called as a leading product if (a) The product can be a mainstay of the society in the district, (b) The product involves the society in its entire supply chain, (c) The product has substantial market opportunities within and outside the districts, (d) The product is based on local resource. The characteristics of a leading product with a combination of existing advantages can be specific to the district. Because of having competitive advantage then this excellent product can be developed. Thus the principle of this excellent product can be a superior economic source increasing employment opportunities and community income in the district.

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With the selection of leading products, it is expected that all efforts and development planning including investment completed in a focused manner to increase sustainable production activities from upstream to downstream. All production activities are in a supply chain. The concept of leading product development is not a partial product development. This concept requires the support and intervention of various stakeholders (society, government and business). In a production chain, it is necessary to involve various parties starting from the production sector with various infrastructure supporters, distribution and marketing sectors and supporting sectors.

The problem of underdeveloped region beside the relatively low level of health and education is the gap in some regions. High unemployment, poverty rates and also low GRDP (Gross Regional Domestic Product) causing in the problem of social inequality that must be immediately affirmed. In the year of 2016 in East Java, there are 4 districts in the underdeveloped areas: Bondowoso, Situbondo, Bangkalan, and Sampang (Districts in Indonesia). The four districts have a low NDI (National Development Index) on average, but in essence these areas have potential natural resource that has not been optimized with the result that it causes the dependence on other areas. The impact of these districts being underdeveloped compared to other surrounding areas.

The causes of an area to be underdeveloped compared to other areas are:

- (1) Geographical Factors. Generally geographically underdeveloped regions are relatively difficult to be reached because of their remote location in the hinterland, hills or mountains, islands, coastal areas and remote islands or due to other geomorphological factors that are difficult to be reached by both transport networks and communication media so that the need for communications network becomes very important.²
- (2) Natural Resource Factor. Some underdeveloped regions do not have the potential natural resources or some areas that have large natural resources but the surrounding environment is a protected or unexploited area, and underdeveloped regions due to the excessive use of natural resources.
- (3) Human Resources Factors. In general, people in underdeveloped regions have relatively low levels of education, knowledge, and skills and undeveloped custom institutions.
- (4) Infrastructure and Facilities Factors. Limitations of infrastructure and tools of communication, transportation, clean water, irrigation, health, education, and other services that cause people in these underdeveloped regions have difficulty in conducting economic and social activities.
- (5) Natural Factors and Social Conditions such as disaster prone areas and social conflict. Often an area experiencing natural disasters and social conflicts can lead to the disruption of social and economic development activities.
- (6) Development Policy Factors. An area being underdeveloped can be caused by some improper policies such as improper development of development approaches and priorities for underdeveloped regions, and also the exclusion of indigenous peoples' institutions in planning and development.¹

Considering the condition of the underdeveloped region complexity, the concepts and policies of underdeveloped regions are different from those in poverty reduction. The development of underdeveloped regions not only covers the economic, but also the social, cultural, and security aspects (even the relationship between underdeveloped regions and developed regions).

The planned effort to transform an area inhabited by communities with various socio-economic problems and physical limitations being developed regions with communities whose quality of life is the same or not far behind compared to other Indonesian people. The policy of development of underdeveloped regions in the medium term is directed to accelerate the development of underdeveloped regions in a focused, measurable and integrated manner that is supported by the intensity of coordination among national development parties.^{7, 11}

To realize the successful achievement of the objectives and targets of the development of disadvantaged regions, we need to apply some principles of development implementation as follows:⁵

(1) People oriented (people center oriented)

Societies in underdeveloped regions are the performer as well as the party which gets the advantages from the activities undertaken. The underdeveloped region development programs are directed to finance activities aimed at meeting the practical and strategic needs of communities, whose output and outcomes can be felt directly by local communities.

(2) Adjusted to the society needs (socially accepted)

The development activities for underdeveloped regions should be based on the needs of the regions and societies who receive the advantages and not on the basis of equity. Thus, it is hoped that the society will receive optimal benefits and full responsibility for the development program of underdeveloped regions.

(3) Adjusted to the local customs and cultures (culturally appropriate)

The development of activities orienting to the conditions and needs of the society needs to pay attention to the customs and culture that has developed as a traditional wisdom in the life of local communities and enrich the national cultural treasures.

(4) Environmentally sound

Implementation of activities in underdeveloped region development programs must be environmentally friendly and refer to sustainable principles. This principle considers the impact of the activity on the environmental, economic, social and cultural conditions of the community in the area concerned, both for short, medium and long term.

(5) Not discriminative (non discriminative)

In the implementation of activities in disadvantaged areas is not discriminatory, both in terms of ethnicity, religion, race, and intergroup. This principle is used so that the development activities of disadvantaged areas are not biased on the interests of certain parties.

Approaches of development implementation of disadvantaged areas is done by:

(1) Decentralization

Based on Law Number 32 of 2004 and Law Number 33 of 2004 which provide authority and responsibility to provincial government and district government. Furthermore the central government motivates and facilitates local governments to be more active in handling and building its territory.

(2) Integrated

The development of underdeveloped regions is carried out in an integrated manner so that interaction with the development of developed regions occurs.

(3) Sustainable

The development of underdeveloped regions takes into account the aspects of maintenance, utilization, and development of development outcomes.

(4) Participatory and Innovative

Development of underdeveloped regions encourages societies to participate and innovate in the planning, implementation, development, reporting, and supervisory process.^{3,5,8}

In the direction of the National Strategy for the Development of Underdeveloped Regions, the increase and acceleration of economic growth to increase the prosperity of the society in the underdeveloped regions is realized through the development of leading products of the Regency. The district leading product (Prukab) is a concept where one district has one leading product.¹⁰ The concept of PRUKAB is the adoption and development of the concept of OTOP (One Tambon One Product) in Thailand, OVOP (One Village One Product) in Japan, and SAKA-SAKTI (One District One Core Competence) that has been developed in Indonesia. The district leading product (Prukab) is intended as an advocate to increase the district's production capacity which further increases the income of the community and employment. By selecting a product as a pre-eminent district, all development and investment efforts are focused on promoting upstream product activities from upstream to downstream in a supply chain system.⁶

2. METHODOLOGY

(1) Determining the criteria of district leading product (Prukab), if it meets the criteria which are:

- Involving the society from upstream to downstream supply chains, so it can absorb very high labor
- Having the potential of local resources and technostuctures for development (comparative advantage)
- Having a market opportunity
- Adjusted to the aspirations of district government and the aspirations of the perpetrators
- Specific and unique (competitive advantage).

(2) Determining the selection and assigning one district leading product is as follows:

- The process of obtaining long list product of 10–20 products from Shift Share, Location Question sectors and products, and Revealed Competitive Advantage;
- Obtaining a short list products (5 products) based on employment uptake data, resource potential, market opportunities, product uniqueness, and availability of infrastructure and technostucture;

(3) The stipulation of one product from the list of 5 products through FGD results and indepth interview with government apparatus, business performer and community group about local government policy of aspiration fund of perpetrator.

3. EXPERIMENTAL RESULT

The development of district leading products can not be done only by one main sector, but requires the intervention of various sectors and stakeholders. This program must be synergized with the program in the central government so that it can strengthen each other. This district's leading product is not a top down command, but rather a blend of central programs with bottom up and bottom aspirations being absorbed. From the results of data analysis, it is obtained long list of superior commodities in Sampang district.

Table I. The long list of leading products in sampang district.

No.	Production	LQ
1	Peanut	7.14
2	Sweet potato	2.53
3	Green Bean	1.25
4	Corn	1.17
5	Cashew	31.92
6	Kapok	4.22
7	Cow	6.94
8	Goat	4.20
9	Duck	1.43
10	Sea fishery	1.45

Based on Table I, LQ analysis of 10 leading commodities in Sampang Regency prospective and feasible to be developed are peanut, sweet potato, green bean, corn, cashew, coconut, cow, goat, duck and marine fishery. Leading commodities with the highest LQ value are cashew commodities.

There are two possible results of the quantification calculation of the parameters used to identify or know a commodity into a pre-eminent commodity with this scoring technique, as follows:

- If the total value is 0 < or including the positive category (+), it indicates a commodity meeting the criteria as a pre-eminent and prospective commodity to be developed and the commodity has a comparative advantage and competitive advantage with high growth.

- If the total value is 0 and or 0 > or belonging to the negative category (–), it indicates a commodity being less and or not meeting the criteria as a pre-eminent commodity and being less and or not prospective to be developed as well as the commodity is lacking and or lacks any of the comparative advantages and competitive advantage with moderate or low growth.

Based on the above criteria, it can be done comparative assessment as shown in Table II. From the table shows that commodities that get positive value of both shift share (RPs) and Revealed Competitive Advantage (RCA) are corn, beef, goat, and duck.

Furthermore, the result of shift share analysis using proportionality shift approach and revealed competitive advantage analysis by considering the availability of local resources, infrastructure, conformity with society aspirations, commodity development potential, contribution to local economy, labor absorption, market opportunity, and uniqueness and also the cost constraints, technology, and institutional, then conducted overlay analysis. This overlay analysis aims to look at the description of potential economic activities based on growth criteria and competitive

Table II. The recapitulation of scoring criteria for determination of leading commodity.

No.	Commodities	Criteria										Total	Note
		1	2	3	4	5	6	7	8	9	10		
1.	Peanut	1	0	0	0	–1	1	–1	–1	–1	–1	–3	–
2.	Sweet potatoe	1	0	0	0	–1	0	–1	–1	–1	–1	–4	–
3.	Green bean	1	0	0	0	–1	1	–1	–1	–1	–1	–3	–
4.	Corn	1	0	1	1	1	1	1	0	1	1	8	+
5.	Cashew	0	0	–1	0	–1	0	–1	–1	–1	–1	–6	–
6.	Kapok	0	0	0	0	–1	–1	–1	–1	–1	–1	–6	–
7.	Cow	1	0	1	1	1	1	1	1	1	1	9	+
8.	Goat	1	0	1	1	1	1	1	1	1	1	9	+
9.	Duck	1	0	0	1	1	1	1	1	1	1	8	+
10	Sea fishery	1	0	0	0	–1	1	0	0	–1	–1	–1	–

Table III. The long list of leading products in sampang district.

No.	Production	LQ	RPs	RCA
1	Corn	+	+	+
2	Cow	+	+	+
3	Goat	+	+	+
4	Duck	+	+	+
5	Corn	+	+	+

advantage criteria on base commodities. There are 4 (four) possibilities of overlay analysis to LQ (Location Quotient); RPs (Ratio of income growth rate with labor); RCA (Revelead Competitive Advantage), namely:

- LQ (+), RPs (+) and RCA (+) indicate a potential economic activity of a prime sector or dominant commodity both comparative advantages and growth also the competitive advantage.
- LQ (+), RPs (+) and RCA (–) indicate a potential economic activity of a predominant sector base or commodity which has the dominant advantage of comparative as well as its growth but does not have a competitive advantage.
- LQ (+), RPs (–) and RCA (+) indicate a potential economic activity of a base sector or commodity that dominates both comparative and competitive advantage but low growth.
- LQ (+), RPs (–) and RCA (–) indicate a potential economic activity of a predominant sector of base or commodity which has comparative advantage but low growth and has no competitive advantage.

This is seen in Table III for the short list of superior products of Sampang Regency.

The basic strategy of district leading product development includes optimizing the potential of the regency's superior products in each district by developing the district leading product program in one centered growth area by ensuring scaling up for the district's leading product program to all district environmental areas. Whereas the operational strategy of the district leading product development includes the facilitation of optimizing the potential of the superior product of the district which is carried out in the underdeveloped reggion by identifying the potential and the carrying capacity of available resources by utilizing the resources for the district leading product and technostructure which is carried out by continuous business assistance by forming the model partnership as an effort to gain access to capital and marketing resources.

The development strategy of the underdeveloped regions nationally adapted to the needs and conditions of each region.⁴ Such strategies include:

- (1) The development of the local economy, this strategy is directed to develop the economy of underdeveloped regions based on the utilization of local potential resources (human resources, institutional resources, and physical resources) owned by each region, by the government and the community, existing community-based institutional groups.
- (2) Community Empowerment, this strategy is aimed at improving people's ability to take an active role in social, cultural, economic and political activities.
- (3) Opportunity Expansion, this strategy is directed to open the isolation of disadvantaged areas in order to have interconnectedness with the developed regions.

(4) Capacity Building, this strategy is aimed at enhancing the institutional and human resources capacity of governments and communities in disadvantaged areas.

(5) Improved Mitigation, Rehabilitation and Improvement, this strategy is directed at reducing risk and restoring the impact of damage caused by conflict and natural disasters and various aspects within the border region.^{6, 10, 12}

4. CONCLUSION

Based on the results of the study, there are 4 (four) leading commodities, namely corn, cow, goat, and ducks that are prospective and feasible to be developed and can be assigned to be superior products of regencies in Sampang Regency, East Java, Indonesia.

Sampang District as an underdeveloped region, it is necessary to realize 3 (three) basic strategies, namely:

- (1) Increasing and accelerating economic growth to increase the prosperity of people in underdeveloped region
- (2) Improvement of social welfare in underdeveloped region
- (3) Improvement of fiscal capacity with rests on the district's leading product.

The strategy needs to be realized in a number of development strategies, namely:

- (1) The development of leading products of the district
- (2) Building and development of infrastructure to encourage the realization of a prosperous society.

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